



Thursday, November 2nd, 2006.  
Baton Rouge, Louisiana.

### **NO BRAINER LEADERSHIP**

Britain's former Prime Minister Benjamin Disraeli was full of insight with his poignant anecdotes. He once summed up the political courage of one of his opponents by observing: "Our citizens are moving in the streets. And I must find out which way they are going, and get in front of them. For I am their leader."

Property insurance rates have gone through the roof throughout Louisiana and the entire Gulf South, and they will likely continue to climb. Yet for the past year, elected officials in Louisiana who could have made a difference have sat on the sidelines oblivious to the intense outrage by the masses who want some rate relief.

Not so in other states. In Florida, the governor and the Legislature have held several special sessions, injected over \$700 million into their state run property insurance company, and are in the process of completely revamping this state created entity. In Mississippi, significant state funding has been allocated towards a similar public plan, and the Attorney General has worked with other state officials in aggressively intervening in lawsuits against insurance companies who failed to pay insurance claims following Katrina.

But until recently in Louisiana, about the only solution suggested was to give a daily prayer for no more hurricanes. The state was forced to sell over \$1 million in bonds to finance the huge debt incurred by the publicly created Citizens Property Insurance Company. State officials tried to pawn off the problem as part of a natural disaster. But just as the damage to New Orleans was a man-made catastrophe because of levee design and construction failures, so to was the massive damage caused by the incompetence of those running Citizens.

As this column has critiqued before, Citizens was a disaster in the making from day one. A combination of unqualified management, not one dime of capital and surplus, and completely inadequate reinsurance combined to create a no-win situation for every property owner in the state. It will take some 20 years to pay off the Citizens debacle. And this could be just the tip of the iceberg.

What happens if there is significant additional destruction because of future hurricanes? Are there plans in the works to deal with such a problem? Other states right now are considering several options, including a new state catastrophic fund that would be financed either through sales taxes or property taxes. Such a plan

would be met with the little support in Louisiana, but at least Florida is considering alternatives, while state officials Louisiana shiver at the thought of peering into the future.

Political prognosticator C B Forgotston has suggested either a tax credit or rebate which would stay on the books for as long as any excess tax is charged to the insurance policies of homeowners. This could be done by majority vote of the Legislature in the 2007 regular session. From then on, the state general fund, presently a wash with almost \$1 billion of surplus, should pay the yearly Citizens indebtedness. The Public Affairs Research Council of Louisiana has come out strongly against such a proposal, saying any surplus funds should be used for other state needs. Their conclusion? "It is good politics, but not good policy." But PAR is dead wrong here.

Taking property owners off the hook from not having to pay a penalty for the next 20 years should be done for one good reason. The Legislature and insurance regulators did not provide ample oversight to protect the same policyholders from an incompetently run and dramatically under funded state created entity. Property owners should bear no responsibility for the incompetence of those entrusted to protect the public interest.

Louisiana State officials are also standing on the sidelines on the major issue on of a national catastrophic fund. Louisiana led the charge back in the 90s and asking Congress to create an umbrella of support that would kick in following a major hurricane once the damage level reach four and a half billion dollars. The idea languished until Katrina hit. Legislators in Florida are leading the charge, while insurance commissioners in several states have testified before congressional committees in Washington. Louisiana's enthusiasm has been lackadaisical at best, with little more than lip service paid to such an idea by the state congressional delegation.

The bottom line? It looks like some Louisiana legislators are beginning to realize the depth of the problem, and are taking the lead in trying to find workable solutions to an extremely difficult problem. The Governor is come around and realizing that "the people are moving in the streets."

Hurricane season is officially over this week. But the seasons will continue to come and go. And remember that when Katrina hit New Orleans, it was only a level two. The big one is yet to hit. Will Louisiana be ready? Right now, the state has a long, long way to go.

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There can't be a crisis next week. My schedule is already full.

[Kissinger, Henry](#) -

Peace and Justice.

Jim Brown

Jim Brown's weekly column appears in a number of newspapers throughout the State of Louisiana. You can read Jim's Blog, and take his weekly poll, plus read his columns going back to the fall of 2002 by going to his own website at <http://www.jimbrownla.com>.

Also, tune in Jim's radio show 1380 am in Baton Rouge. It is streamed live on the worldwide web at [www.talk1380.com](http://www.talk1380.com) from 9:00 until 11:00 am, weekdays.